GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:233
ANSWERED ON:17.03.2017
Legislation for Compensation to States under GST
Ahmed Shri Sultan

Will the Minister of FINANCE be pleased to state:

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE

LOK SABHA
STARRED QUESTION NO. *233

TO BE ANSWERED ON FRIDAY, THE 17th MARCH, 2017
26 PHALGUNA, 1938 (SAKA)

Legislation for Compensation to States Under GST.

*233 : SHRI SULTAN AHMED :

Will the Minister of FINANCE be pleased to state:
(a) whether the Government has prepared a draft legislation on relief to revenue losing States under the Goods and Services Tax (GST) regime;
(b) if so, the details thereof along with the terms of reference laid down for the panel constituted in this regard; and
(c) the time by which it is likely to be enacted?

Answer

ANSWER

FINANCE MINISTER
(SHRI ARUN JAITLEY)

(a) to (c) : A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (c) OF LOK SABHA STARRED QUESTION NO. *233 FOR ANSWER ON 17th MARCH 2017

Section 18 of the Constitution (One Hundred and First Amendment) Act, 2016, which provided for compensation to States for loss of revenue on account of introduction of goods and services tax, reads as follows:

"Parliament shall, by law, on the recommendation of the Goods and Services Tax Council provide for compensation to the States for loss of revenue arising on account of implementation of the goods and services tax for a period of five years."

Accordingly, the Goods and Services Tax Council in its meeting held on 18.02.2017 has recommended the Goods and Services Tax (Compensation to the States) Bill, 2017. The same is proposed to be introduced in the Parliament during the current Session of Parliament. The Bill provides for, interalia, payment of compensation to States on the basis of base year revenue (for the year 2015-16), from taxes being subsumed under GST, projected at fourteen percent growth rate, payment of compensation to States every two months and imposition of cess for raising revenue to pay for compensation, the proceeds of which shall be credited into a GST Compensation Fund created in Public Account of India.